

Message Text

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44

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

DRC-01 /169 W

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P 251200Z MAR 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC PRIORITY 3721

INFO AMEMBASSY BOGOTA PRIORITY

AMEMBASSY BRASILIA PRIORITY

AMEMBASSY GUATEMALA PRIORITY

AMCONSUL GUAYAQUIL PRIORITY

AMEMBASSY PANAMA PRIORITY

UESQI/AMEMBASSY QUITO PRIORITY 126

AMEMBASSY SAN JOSE PRIORITY

AMEMBASSY SAN SALVADOR PRIORITY

AMEMBASSY TEGUCIGALPA PRIORITY

C O N F I D E N T I A L MANAGUA 1091

E. O. 11652: GDS

TAGS: ETRD, CS, HO, NU

SUBJECT: BANANAS EXPORT TAX

REF: STATE 057517

1. DURING DISCUSSION WITH GENERAL ANASTASIO SOMOZA ON EVENING
OF MARCH 22, I TOOK OCCASION TO MAKE HIM AWARE OF THE POINTS
RAISED IN REFTTEL,

SOMOZA SAID THAT HE WAS CONCERNED BY THE
"IMPETUOUS" DESIRE OF CERTAIN COUNTRIES TO RAISE PRICES OF
CERTAIN EXPORT COMMODITIES INCLUDING BANANAS BY TAX METHODS
AND OTHERWISE AND WAS AWARE THAT THIS WAS FULLY CAPABLE OF
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HAVING A "SNOWBALLING EFFECT" INTO OTHER ITEMS SUCH AS BAUXITE

AND OTHER PRDUDTS OF LESS DEVELOPED NATIONS AND THAT IT
COULD NOT HELP BUT HAVE A NEGATIVE EFFECT ON DEVELOPED NATIONS'
EFFORTS TO BRING ABOUT A MORE STABLE AND REASONABLE PRICE
IN PETROLEUM PRODUCTS.

2. SOMOZA SAID THAT HE HAD TRIED TO EXPLAIN THIS TO COSTA
RICAN PRESIDENT FIGUERAS, PANAMANIAN LEADER GENERAL TORRIJOS,
AND HONDURAN PRESIDENT LOPEZ BUT THAT SINCE NICARAGUA WAS A
RELATIVELY MUCH SMALLER PRODUCER AND EXPORTER OF BANANAS THAT
IT WAS DIFFICULT FOR HIM TO INFLUENCE THE THINKING OF THE LEAD-
ERS OF THE OTHER GOVERNMENTS. SOMOZA FURTHER SAID THAT HE
FELT THAT IF HE REFUSED TO GO ALONG WITH HONDURAS, COSTA RICA
AND PANAMA IN THEIR EFFORT TO GAIN REVENUE FROM BANANA EXPORTS
THAT IT WOULD BE VERY MUCH RESENTED BY THE OTHER LEADERS AND
WOULD MAKE IT
MUCH MORE DIFFICULT FOR HIM TO BE ABLE TO IN-
FLUENCE THEM ON OTHER MATTERS WHICH WERE ALSO OF IMPORTANCE.

3. SOMOZA SAID THAT HE HAD EXPLAINED TO LOPEZ, FIGUERAS AND
TORRIJOS THAT THERE WAS A GREAT INEQUITY IN THE PROPOSAL MADE
BY ECUADOR WHICH DISCRIMINATED AGAINST FOREIGN-OWNED COMPANIES
BY PLACING A MUCH SMALLER TAX VC ECUADOR ON THOSE BANANA
PRODUCTS EXPORTED BY ECUADOREAN COMPANIES. SOMOZA ADVISED
THAT HE WAS MEETING WITH THE REPRESENTAFKBES OF STANDARD FRUIT
IN BLUEFIELDS ON THE EAST COAST OF NICARGUA
ON MARCH 23.

SOMOZA IS NOT HOPEFUL THAT THE OTHER COUNTRIES INVOLVED CAN BE
TALKED INTO APPRAISING THEIR OBJECTIVE OF RAISING REVENUE BY
A TAX ON BANANAS BUT HE IS HOPEFUL THAT SOME COMPROMISE
ARRANGEMENT CAN POSSIBLY BE ARRIVED AT WHICH WILL BE MORE
ACCEPTABLE THAN THAT ORIGINALLY PROPOSED. SOMOZA HAS PROMISED
TO KEEP ME INFORMED OF DEVELOPMENTS.
SHELTON

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